



## ANNUAL USE OF CAPITAL SURVEY - 2009

## NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Monarch Community Bancorp, Inc

Person to be contacted regarding this report:	Don Denney
CPP Funds Received:	\$6,785,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	2/6/2009
Date Repaid <sup>1</sup> :	

RSSD: (For Bank Holding Companies)	891673
Holding Company Docket Number: (For Thrift Holding Companies)	N/A
FDIC Certificate Number: (For Depository Institutions)	29069
City:	Coldwater
State:	Michigan

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

*American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.*

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	Our bank originated 45 loans of \$ 4,440,743.34 as a direct result of receiving of CPP funding. These loans would have not been considered without the CPP funding.
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<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	The majority of the lending associated with the CPP funds was residential or one to four family mortgages.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The Company utilized CPP funds to purchase \$16 million in securities. We have continued to maintain a diversified securities portfolio, which includes obligations of U.S. government-sponsored agencies, securities issued by states and political subdivisions and Mortgage-backed securities.
<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	

<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	N/A
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

We have been able to remain well capitalized due to the infusion of CPP funds. Without the additional capital, the impact of the increased levels of net -charge off activity and loan loss provision in 2009, would have decreased our tier-1 capital level to below a well capitalized position.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Our bank after a year of extreme loan loss is still able to take advantage of opportunities for further strengthen our position in the marketplace. In particular, we believe the investment will increase Monarch Community Bank's lending capacity, thereby enhancing our ability to assist our core customers and communities in meeting the challenges of a recession environment while positioning them to take full advantage of an economic recovery.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

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